



Exhibit 2.20

Docket No. 3720-WR-107

Witnesses: Eric Rothstein

May 14, 2010

Public Service Commission of Wisconsin
RECEIVED: 05/14/10, 12:01:05 PM[Home](#) » [News](#) » [Milwaukee County](#)

Milwaukee County

Users spout over proposed water rate hike

Under proposal, some suburbs face increases of more than 50%; those in city would pay 30% more

By [Tom Held](#) of the Journal SentinelPosted: May 13, 2010 | [\(67\) Comments](#)

Proposed water rate increases would threaten jobs, make the area less competitive, unfairly penalize suburbs and hurt consumers during a recession, according to corporate officials and customers objecting to proposals shared with Milwaukee aldermen Wednesday.

Most customers - residential and business - face price increases of around 30%, but some suburbs are looking at more than 50%, in the rate schedule proposed by the Wisconsin Public Service Commission.

Milwaukee Water Works' largest customer, MillerCoors LLC, has filed testimony saying a high rate increase would "make the Milwaukee brewery less competitive as compared to other, new MillerCoors breweries in other states."

"That could potentially mean that production, and the associated jobs, could be transitioned to other breweries in our network," Vice President Andrew Moschea said. "Given the prolonged economic downturn, that is something that neither the brewery nor the state should allow to happen."

An earlier rate proposal prepared by the PSC would have increased the brewery's annual water bills by \$600,000. That figure dropped somewhat in a revised rate schedule presented Wednesday to the Milwaukee Common Council's Public Works Committee.

Jacking up the cost of doing business is a terrible strategy at a time of economic struggle, said Steve Baas, government affairs director for the Metropolitan Milwaukee Association of Commerce.

"Our low water rates are one of the competitive advantages this region has, and a dramatic increase like this reduces our edge and sends a bad signal as we try to attract new companies," he said Wednesday. "If you raise rates, you run the risk of further depressing economic activity, or giving incentive to more conservation, which further shrinks the pie and creates a need for even further rate increases. The only real solution is growth, expand the consumption base, have more people paying into the system."

Selling water to Waukesha, which has petitioned to become a Milwaukee customer, would be one way to quickly expand that customer base, Baas said.

But suburban communities are wary of rate increases. In the plan discussed Wednesday, two of Milwaukee Water Works' wholesale customers, New Berlin and Mequon, would get a 50.6% and a 58.9% rate increase, respectively.

The most controversial point for suburbs is that some of the water rate revenue might go into the general city coffers - essentially helping the city balance its books. City officials are seeking up to \$3 million a year from the utility to help pay for general city operations.

The Water Works already pays \$8.8 million a year to the city in lieu of taxes, and that sum has increased as property taxes have gone up.

For average residential customers, the rate proposals come at a time when budgets remain tight.

"I cannot believe that such a large increase in our water rates is even being considered during this economic crisis," wrote Linda Taylor, a West Allis resident. "To raise our rates by 36% is incredulous. I am on a fixed income and am having a hard enough time keeping up with utility and property tax increases."

A public hearing on the rate increases will be June 8 in the Zeidler Municipal Building, 841 N. Broadway.

Conservation costs

The Milwaukee utility first petitioned to raise its water charges last year, estimating it would lose \$3.4 million in 2010 and continue a decline on its rate of return on assets and operations.

Operating income has dropped from \$6.7 million in 2006 to \$1.3 million in 2009, according to documents in the PSC filing.

"Our rates have been artificially low for the past few years," said Carrie Lewis, superintendent of the Milwaukee Water Works. "We have been using our retained earnings, our saved money, and using our savings account to cover the expenses of running the utility."

During Common Council deliberations last year on whether to request the water rate increase, Lewis and city budget director Mark Nicolini said Water Works costs were outpacing revenue.

Even with the 3.8% rate increase that took effect Sept. 1, Lewis said, the agency would wipe out its reserves by the end of this year unless rates were raised again.

Water conservation has had the effect of cutting cash flow to the utility.

Nicolini and Lewis said a 12% decrease in water usage from 2006 through 2008 cut Water Works revenue by \$4.3 million a year, partly because residents are trying to save water by watering their lawns less often and installing more efficient appliances.

Industrial use also fell, with the 2005 closing of the Red Star Yeast plant accounting for about \$1 million of the revenue decrease, Lewis said.

Largely because of the industrial decline, the amount of water sold by the utility decreased from 58 billion gallons in 1976 to 33 billion in 2009.

Among the factors contributing to rising expenses, Lewis and Nicolini said, the cost of water treatment chemicals rose 144% from 2008 to 2009; maintenance costs are rising rapidly for water infrastructure; and the Water Works was required to contribute \$1.1 million to the city pension fund, separately from the city's \$49 million general contribution.

To reverse the financial slide, the utility requested the PSC approve a rate increase for Milwaukee Water Works customers. The PSC proposed a schedule that raises rates and, in doing so, increases Water Works revenue by nearly \$19 million a year.

Aside from MillerCoors, other major industrial water users in Milwaukee include Atlanta-based Coca-Cola Enterprises Inc., which operates a facility at 11800 W. Brown Deer Road that produces Dasani bottled water for distribution throughout the Midwest, and Cincinnati-based Cintas Inc., which operates an industrial laundry at 6415 N. 62nd St. A Cintas spokeswoman declined to comment, and a spokeswoman for Coca-Cola couldn't be reached for comment.

The rate increase also would affect smaller businesses, such as Lakefront Brewery Inc., 1872 N. Commerce St. Lakefront last year spent between \$15,000 and \$20,000 on water to help produce 13,000 barrels of Riverwest Stein Beer, Eastside Dark and other brews.

"Obviously, it's going to hurt us," Lakefront President Russ Klisch said. He said it likely would result in higher prices for Lakefront's beers.

Water-based businesses

But the higher rates probably will not have a major effect on efforts to attract more water-based businesses to Milwaukee, said Claus Dunkelberg, water industry specialist at the Milwaukee Water Council. Dunkelberg said Milwaukee's water rates still rank among the lowest in the country for comparably sized cities.

The Milwaukee Water Works needs to raise its rates to cover not just its operating and maintenance costs, but also the costs of making improvements to the system, Dunkelberg said.

Larry Sandler, Tom Daykin and Thomas Content of the Journal Sentinel staff contributed to this report.

Find this article at:

<http://www.jsonline.com/news/milwaukee/93648859.html>

☐ Check the box to include the list of links referenced in the article.